

Township of Leroy
Calhoun County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Leroy, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the Township of Leroy, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leroy, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Township of Leroy, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 15 through 16, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Leroy Township, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 31, 2008



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BASIC FINANCIAL STATEMENTS

Township of Leroy
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 287,229
Investments	435,021
Receivables, net	<u>53,165</u>
Total current assets	<u>775,415</u>
Noncurrent assets	
Capital assets not being depreciated - land	54,657
Capital assets, net of accumulated depreciation	<u>954,345</u>
Total noncurrent assets	<u>1,009,002</u>
Total assets	<u>1,784,417</u>
LIABILITIES	
Current liabilities - payables	<u>5,455</u>
NET ASSETS	
Invested in capital assets	1,009,002
Restricted for public works	5,160
Unrestricted	<u>764,800</u>
Total net assets	<u>\$ 1,778,962</u>

See notes to financial statements

Township of Leroy
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>	
Functions/Programs			<u>contributions</u>	<u>contributions</u>	<u>activities</u>
Governmental activities:					
Legislative	\$ 2,253	\$ -	\$ -	\$ -	\$ (2,253)
General government	239,231	57,904	-	-	(181,327)
Public safety	133,765	31,757	328	237,500	135,820
Public works	19,487	6,579	4,699	-	(8,209)
Community and economic development	13,388	2,720	-	-	(10,668)
Culture and recreation	<u>4,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,462)</u>
Total governmental activities	<u>\$ 412,586</u>	<u>\$ 98,960</u>	<u>\$ 5,027</u>	<u>\$ 237,500</u>	<u>(71,099)</u>
General revenues:					
Taxes					85,916
State grants					221,537
Franchise fees					13,051
Investment income					<u>47,211</u>
Total general revenues					<u>367,715</u>
Change in net assets					296,616
Net assets - beginning					<u>1,482,346</u>
Net assets - ending					<u>\$ 1,778,962</u>

See notes to financial statements

Township of Leroy
BALANCE SHEET - governmental funds
 March 31, 2008

	<u>General</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 282,069	\$ 5,160	\$ 287,229
Investments	435,021	-	435,021
Receivables	<u>53,165</u>	<u>-</u>	<u>53,165</u>
Total assets	<u>\$ 770,255</u>	<u>\$ 5,160</u>	<u>\$ 775,415</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	<u>5,455</u>	<u>-</u>	<u>5,455</u>
Fund balances:			
Undesignated	764,800	-	764,800
Undesignated reported in non-major - special revenue fund	<u>-</u>	<u>5,160</u>	<u>5,160</u>
Total fund balances	<u>764,800</u>	<u>5,160</u>	<u>769,960</u>
Total liabilities and fund balances	<u>\$ 770,255</u>	<u>\$ 5,160</u>	<u>\$ 775,415</u>
Total fund balances - total governmental funds			\$ 769,960
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			<u>1,009,002</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,778,962</u>

See notes to financial statements

Township of Leroy

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 131,119	\$ -	\$ 131,119
Licenses and permits	45,278	-	45,278
Federal grants	237,500	-	237,500
State grants	221,537	-	221,537
Charges for services	13,317	1,099	14,416
Interest and rentals	48,933	28	48,961
Other	10,391	-	10,391
	<u>708,075</u>	<u>1,127</u>	<u>709,202</u>
EXPENDITURES			
Legislative	2,253	-	2,253
General government	238,423	-	238,423
Public safety	83,554	-	83,554
Public works	19,487	-	19,487
Community and economic development	13,388	-	13,388
Culture and recreation	3,709	-	3,709
Capital outlay	303,441	-	303,441
Debt service:			
Principal	14,760	-	14,760
Interest	144	-	144
	<u>679,159</u>	<u>-</u>	<u>679,159</u>
NET CHANGES IN FUND BALANCES	28,916	1,127	30,043
FUND BALANCES - BEGINNING	<u>735,884</u>	<u>4,033</u>	<u>739,917</u>
FUND BALANCES - ENDING	<u>\$ 764,800</u>	<u>\$ 5,160</u>	<u>\$ 769,960</u>
Net change in fund balances - total governmental funds			\$ 30,043
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Capital assets:			
Acquisitions			315,835
Provision for depreciation			(64,022)
Long-term liabilities - principal payments			<u>14,760</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 296,616</u>

See notes to financial statements

Township of Leroy
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leroy, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The major individual governmental fund is reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Equipment	5 - 15 years
Fire vehicles	20 years
Roads	20 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

The Township's total cash and investments are reported as follows:

	<u>Governmental activities</u>
Deposits	\$ 286,879
Cash on hand	350
Investments	<u>435,021</u>
	<u>\$ 722,250</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$286,879.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$293,626 of the Township's bank balances of \$308,837 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act.

Investments at March 31, 2008 are uninsured and unregistered investments held by a broker-dealer in the Township's name. Investments are carried at fair market value as follows:

<i>Investment type</i>	<i>S&P rating</i>	<i>Interest rate</i>	<i>Maturity date</i>	<i>Fair market value</i>
U.S. Treasury Note		3.25%	8/15/2008	\$ 50,336
U.S. Treasury Note		3.38%	12/15/2008	50,676
U.S. Treasury Note		4.88%	5/15/2009	51,828
U.S. Treasury Note		4.63%	11/15/2009	<u>52,429</u>
				<u>205,269</u>
<i>Corporate bonds:</i>				
Hartford Life	AA-	5.30%	10/15/2012	50,626
Prudential	A+	5.25%	11/15/2013	50,345
Principal Life	AA	5.00%	12/16/2013	100,380
Protective Life	AA	0.00%	9/10/2014	<u>28,401</u>
				<u>229,752</u>
Investments total				<u>\$ 435,021</u>

The Township's investments in corporate bonds are not authorized under State statutes.

The Township's investments are subject to several types of risk, which are discussed below:

1) Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments; 2) Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments; 3) Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's major fund are as follows:

<u>Fund</u>	<u>Inter- governmental</u>	<u>Accrued Interest</u>	<u>Property taxes</u>	<u>Totals</u>
General	\$ 38,058	\$ 6,063	\$ 9,044	\$ 53,165

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 54,657	\$ -	\$ -	\$ 54,657
Capital assets being depreciated:				
Buildings and improvements	445,963	19,713	-	465,676
Equipment and vehicles	830,390	296,122	-	1,126,512
Subtotal	1,276,353	315,835	-	1,592,188
Less accumulated depreciation for:				
Buildings	(137,721)	(12,209)	-	(149,930)
Equipment and vehicles	(436,100)	(51,813)	-	(487,913)
Subtotal	(573,821)	(64,022)	-	(637,843)
Total capital assets being depreciated (net)	702,532	251,813	-	954,345
Governmental activities capital assets, net	\$ 757,189	\$ 251,813	\$ -	\$ 1,009,002

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 14,917
Public safety	48,352
Culture and recreation	753
Total governmental activities	\$ 64,022

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT:

Long-term liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Note payable	\$ 14,760	\$ -	\$ (14,760)	\$ -

NOTE 7 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 31,757
Expenses	<u>32,912</u>
Deficiency of revenues over expenses	<u>\$ (1,155)</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - RESTRICTED NET ASSETS:

Governmental activities net assets as of March 31, 2008, in the amount of \$5,160 are restricted for utility system maintenance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leroy
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 126,210	\$ 126,210	\$ 131,119	\$ 4,909
Licenses and permits	26,305	26,305	45,278	18,973
Federal grants	237,500	237,500	237,500	-
State grants	210,000	210,000	221,537	11,537
Charges for services	8,600	8,600	13,317	4,717
Interest and rentals	18,935	18,935	48,933	29,998
Other	12,100	12,100	10,391	(1,709)
Total revenues	<u>639,650</u>	<u>639,650</u>	<u>708,075</u>	<u>68,425</u>
EXPENDITURES				
Legislative	<u>3,400</u>	<u>3,400</u>	<u>2,253</u>	<u>1,147</u>
General government:				
Supervisor	17,200	17,200	16,586	614
Election	10,250	10,250	1,963	8,287
Assessor	55,500	55,500	42,909	12,591
Clerk	25,500	25,500	23,924	1,576
Board of review	1,500	1,500	954	546
Treasurer	30,750	30,750	27,422	3,328
Hall and grounds	7,000	7,000	5,307	1,693
Cemetery	46,313	46,313	41,769	4,544
Other	116,064	116,064	77,589	38,475
Total general government	<u>310,077</u>	<u>310,077</u>	<u>238,423</u>	<u>71,654</u>
Public safety :				
Fire	68,618	68,618	50,486	18,132
Building inspections	48,298	48,298	33,068	15,230
Total public safety	<u>116,916</u>	<u>116,916</u>	<u>83,554</u>	<u>33,362</u>
Public works:				
Highways and streets	10,200	10,200	10,000	200
Street lights	10,350	10,350	9,487	863
Total public works	<u>20,550</u>	<u>20,550</u>	<u>19,487</u>	<u>1,063</u>

Township of Leroy

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 20,070</u>	<u>\$ 20,070</u>	<u>\$ 13,388</u>	<u>\$ 6,682</u>
Recreation and culture - parks and recreation	<u>7,700</u>	<u>7,700</u>	<u>3,709</u>	<u>3,991</u>
Capital outlay	<u>324,950</u>	<u>324,950</u>	<u>303,441</u>	<u>21,509</u>
Debt service:				
Principal	<u>14,800</u>	<u>14,800</u>	<u>14,760</u>	<u>40</u>
Interest	<u>150</u>	<u>150</u>	<u>144</u>	<u>6</u>
Total expenditures	<u>818,613</u>	<u>818,613</u>	<u>679,159</u>	<u>139,454</u>
NET CHANGES IN FUND BALANCES	<u>(178,963)</u>	<u>(178,963)</u>	<u>28,916</u>	<u>207,879</u>
FUND BALANCES - BEGINNING	<u>735,884</u>	<u>735,884</u>	<u>735,884</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 556,921</u>	<u>\$ 556,921</u>	<u>\$ 764,800</u>	<u>\$ 207,879</u>

July 31, 2008

To the Board of Trustees
Township of Leroy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Leroy for the year ended March 31, 2008, and have issued our report thereon dated July 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Leroy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Leroy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Leroy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Leroy as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Leroy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Leroy and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.